

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 1, 2007
POSITION: Oppose

BILL NUMBER: SB 465
AUTHOR: A. Lowenthal

BILL SUMMARY: Year Round School - First Priority Status

This bill would eliminate the school building eligibility adjustment related to multitrack year-round education (MTYRE), thereby increasing new construction eligibility by six percent for school districts that do not operate substantially on a MTYRE calendar.

FISCAL SUMMARY

This bill would result in hundreds of millions of dollars in cost pressures on K-12 school facility bond funds. We understand that sponsors of the bill indicate cost pressures of \$200 to \$300 million and that the Department of Education indicates that the impact could be as high as \$1.5 billion. According to the Office of Public School Construction, as of April 2007 there is new construction eligibility statewide of 691,052 students. Assuming a 6 percent increase to the current eligibility, this equates to 41,463 students ($691,052 \times .06 = 41,463$). With an average state apportionment of \$13,216, this bill could create cost pressures of \$548 million ($41,463 \times \$13,216 = \$547,975,008$). This estimate does not include School Facility Program (SFP) grants provided for site acquisition and financial hardship that would increase our calculated cost pressures by hundreds of millions of dollars. Given that there is only a limited amount of bond funds available at any given time, this bill could result in other districts' projects going unfunded.

Additionally, the Office of Public School Construction indicates workload due to this bill could require an additional 2 positions and \$150,000.

COMMENTS

The Department of Finance opposes this bill for the following reason:

- The repeal of current law proposed in this measure would increase non-substantial enrollment MTYRE schools new construction eligibility by 6 percent, creating hundreds of millions of dollars of funding pressures for future bonds and reducing the number of eligible projects to be funded from existing authorized bonds.
- This policy change and consequent cost pressures were not contemplated when determining the amounts provided in Proposition 1D and have not been taken into consideration in the amounts supported by the Administration for purposes of the Administration's Strategic Growth Plan that identifies bond amounts for prospective education bond measures for the 2008 and 2010 election cycles. Given the magnitude of competing bond debt needs under a prudent debt service ratio to address California's total infrastructure needs, higher state costs for school construction prevents the state from funding other equally important infrastructure.
- Any policy changes driving higher state costs for school construction should be negotiated in context of a future bond bill.

The Leroy F. Greene State School Building Lease-Purchase Law of 1976, the preceding program to the SFP, established priorities for approval of school building projects. First priority was given to school districts with a substantial enrollment in multi-track year-round schools requesting state funding for 50 percent of the

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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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cost of a project that would be constructed to operate on a multi-track, year-round basis. Under the Lease Purchase Law, substantial enrollment in multi-track year-round schools is defined in statute to mean that at least 30 percent of the pupils enrolled in a high school district are enrolled in multi-track, year-round schools and the entire high school would be constructed to operate on a multi-track, year-round basis. Multi-track schedules increase the number of students that can be housed in a given facility by approximately 20 percent. Thus, if a district has 30 percent of its students in multi-track, year-round schedules, the existing school capacity calculation is increased by six percent (.20 X .30), thereby decreasing the number of unhoused students.

This provision also has relevance in the current SFP regarding the calculation of a district's existing school building capacity. The SFP provides matching funds based upon the number of unhoused students. For purposes of determining existing school building capacity, current law requires the calculation to be adjusted to reflect year-round education, as the calculation would have been made under the policies in effect under the preceding program. In order to allow all districts to receive priority one status for approval of projects if there was a 50-50 match, the SAB established a policy of allowing districts that did not have substantial enrollment in year-round education to participate in the priority one category. However, the calculation of existing school building capacity is made as if the district were on a year-round schedule. Thus, all non-MTYRE K-6 or unified school district eligibility is reduced by six percent. School construction advocates argue this "penalizes" schools that do not operate on a MTYRE calendar.

Finance notes that the SFP is not an entitlement program, but rather a discretionary state program to assist schools with their construction needs. As such, the state provides what it can afford and does not guarantee a program to assist schools in meeting all needs in the future with a set cost sharing ratio. Rather, it attempts to provide a level playing field so that all schools can participate on a first-come, first serve basis for available funding. Since the vast majority of schools currently operate without multi-track schedules, any “penalty” is equally shared. Thus, the playing field remains level.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2006-2007	FC	2007-2008	FC	2008-2009	Code
6350/Facil Aid	LA	No	-----	See Fiscal Summary -----					6044
6350/Facil Aid	LA	No	-----	See Fiscal Summary -----					6057
1760/Dept Gen Svc	SO	No	-----	No/Minor Fiscal Impact -----					6044
1760/Dept Gen Svc	SO	No	-----	No/Minor Fiscal Impact -----					6057
<u>Fund Code</u>	<u>Title</u>								
6044	School Facilities Fund, 2004 State								
6057	School Facilities Fund, 2006 State								